

WEBER BASIN WATER CONSERVANCY DISTRICT

Financial Statements and Supplementary Data  
June 30, 2005 and 2004

(With Auditors' Report Thereon)

# WEBER BASIN WATER CONSERVANCY DISTRICT

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Independent Auditors' Report

The President and Board of Trustees  
Weber Basin Water Conservancy District  
Layton, Utah

We have audited the accompanying statement of net assets of Weber Basin Water Conservancy District as of June 30, 2005 and 2004, and the related statement of revenue, expenses and changes in net assets and statement of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Basin Water Conservancy District at June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 9, subsequent to September 29, 2005 management discovered corrections that needed to be made to these financial statements. Accordingly, the corrections listed in note 9 were made.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits of the basic financial statements were made primarily to form an opinion on such financial statements taken as a whole. The supplementary information contained in Schedules 1-12 is presented for the purposes of additional analysis and, although not required for a fair presentation of financial position, results of operations, and cash flows, was subjected to the audit procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Crane Christensen & Ambrose*

September 29, 2005, except for the corrections listed in note 9 as to which the date is December 1, 2005

# WEBER BASIN WATER CONSERVANCY DISTRICT

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## MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial activities of Weber Basin Water Conservancy District is provided by the District's management. This information is to provide the reader with a summary of key financial activity, in narrative form, during the fiscal year ended June 30, 2005. More detailed information regarding the financial activities may be found in the "Financial Statements and Supplementary Data (with Auditors' report)" prepared by the District's independent auditor.

### Overview of the Financial Statements

Weber Basin Water Conservancy District's financial statements consist of the following:

**The Statement of Net Assets** provides information regarding all assets of the District, such as cash, investments, water stock, sinking fund reserves, property and equipment, as well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net assets.

**The Statement of Revenue, Expenses and Changes in Net Assets** shows all revenue received during the most recent fiscal year broken down by the various types of water sales, property taxes, power sales, interest earnings, and miscellaneous revenue. Expenses are broken down into payroll related expenses, maintenance and repairs, utilities, insurance, interest expense, depreciation, and other miscellaneous expenses. This statement also provides information regarding the change in net assets between the most recent and the preceding fiscal years.

**The Statement of Cash Flows** shows what affect the District's operating activities, investing activities, capital and related financing activities had on cash flow. This statement also reconciles the operating income to the net cash provided by operating activities.

**Notes to Financial Statements** provides additional information regarding, among other items, the organization and significant accounting policies of the District, cash and investments, more detailed information on property and equipment and long-term liabilities.

**Schedules** provide supporting information to the statements referred to above, breaking down the Statement of Net Assets by fund, as well as showing, by fund, the receipts and disbursements. The schedules section of the report also includes a statement of operations for the Operations & Maintenance fund, a listing of insurance policies in force, statements of cash receipts and disbursements for each bond series, and a schedule of the District's investments.

**Other Information** includes various letters from the independent auditor regarding compliance issues.

### Condensed Financial Information

#### Statement of Net Assets

Total net assets increased by \$2,203,792 (1.7%) during fiscal year 2005. A decrease of more than \$3,000,000 in long-term debt accounted for the net increase in assets. Property and equipment showed a net increase of more than \$2,000,000.

### **Condensed Statement of Net Assets**

	FY 2005	FY 2004	Net Change 2005-2004
Assets			
Current and Other Assets	\$41,376,647	\$43,620,609	(\$ 2,243,962)
Capital Assets	209,939,261	207,795,598	2,143,663
Total Assets	\$251,315,908	\$251,416,207	(\$ 100,299)
Liabilities			
Current and Other Liabilities	\$7,604,230	\$6,888,482	\$ 715,748
Long-term Liabilities	114,938,251	117,958,090	(3,019,839)
Total Liabilities	\$122,542,481	\$124,846,572	(\$2,304,091)
Net Assets			
Net Assets invested in capital assets, net of related debt	\$93,653,630	\$85,551,646	\$8,101,984
Restricted – temporary	26,159,811	26,131,818	27,993
Unrestricted	8,959,986	14,886,171	(5,926,185)
Total Net Assets	\$128,773,427	\$126,569,635	\$2,203,792

### **Statement of Revenues**

Water sales increased by \$904,375 (8.4%) from fiscal year 2004 to fiscal year 2005 to a large degree based on an increase in the water rate for treated and untreated Municipal & Industrial (M&I) water. Besides M&I water sales to municipalities, water improvement districts, and industries, the District also wholesales irrigation, secondary water, and replacement water to companies. Also, the District provides replacement, secondary and irrigation water to individuals.

In December 2001 the Board of Trustees of Weber Basin Water Conservancy District approved a four-year plan of scheduled water rate increases for treated M&I water (\$10-\$12 per acre-foot per year) and untreated M&I water (\$4.50 per acre-foot per year). Fiscal year 2005 was the third year these new rates were effective. By Utah state statute the District is authorized to assess a tax rate of up to .000200 on all taxable property within the District. The Board of Trustees approved a rate of .000198, which was assessed during fiscal year 2005.

### **Condensed Statement of Revenues**

Revenue	FY 2005	FY 2004	Net Change 2005-2004
Water Sales	\$11,733,950	\$10,829,575	\$904,375
Ad Valorem & Fee-in-lieu of taxes	5,429,195	5,138,259	290,936
Interest	688,918	637,375	51,543
Miscellaneous	435,440	459,047	(23,607)
Total Revenues	\$18,287,503	\$17,064,256	\$1,223,247

### **Statement of Expenses**

Expenses increased by \$256,471 (1.6 percent) from fiscal year 2004 to fiscal year 2005. Due largely to the good water year that allowed the District to generate power and not to rely as heavily on outside sources of power, the power costs decreased by \$529,000 during fiscal year 2005 from its fiscal year 2004 total. The other large change in expenses was the depreciation expense, which increased by \$554,000 during fiscal year 2005.

### Condensed Statement of Expenses

Expenses	FY 2005	FY 2004	Net Change 2005-2004
Salaries & Payroll taxes and Benefits	\$5,054,876	\$4,853,019	\$201,857
Maintenance & Repairs, Equipment and Chemicals	1,548,394	1,475,039	73,355
Power and Utilities	912,850	1,442,252	(529,402)
Interest Expense	3,000,431	3,067,039	(66,608)
Insurance and Professional Services	398,614	399,639	(1,025)
Depreciation	3,772,392	3,218,048	554,344
Miscellaneous	1,396,154	1,372,204	23,950
<b>Total Expenses</b>	<b>\$16,083,711</b>	<b>\$15,827,240</b>	<b>\$256,471</b>

### Statement of Changes in Net Assets

Below is a condensed statement of net assets that shows that the District improved its net income by \$966,776 during fiscal year 2005 compared to fiscal year 2004.

### Condensed Statement of Changes in Net Assets

Revenues and Expenses	FY 2005	FY 2004	Net Change 2005-2004
Revenues	\$18,287,503	\$17,064,256	\$1,223,247
Expenses	16,083,711	15,827,240	256,471
<b>Net Income</b>	<b>\$2,203,792</b>	<b>\$1,237,016</b>	<b>\$ 966,776</b>
Net Assets - Beginning of Year	126,569,635	125,332,619	1,237,016
<b>Net Assets - End of Year</b>	<b>\$128,773,427</b>	<b>\$126,569,635</b>	<b>\$2,203,792</b>

### **Actual Results versus Budget Amounts**

No changes were made to the fiscal year 2005 budget after its adoption in September 2004. Both the total receipts (including loan advances, bond proceeds and use of reserve funds) and the total expenditures for fiscal year 2005 were \$11,171,842 below the budgeted amount. The decrease was due mainly to the \$5.1 million spent for capital improvements versus the plan of \$14.9 million. The following table summarizes the differences between the fiscal year 2005 budget amounts and the actual results.

### **Condensed Statement of Actual vs. Budget Amounts - FY 2005** **Total Receipts (Revenues, Loan & Bond Proceeds, Use of Reserves) less** **Total Expenditures (O&M Expenses, Capital Expenses, Loan & Bond Payments)**

Receipts	Actual Results	Budget Amount	Difference Actual vs. Budget
Revenue			
Water Sales	\$11,733,950	\$11,425,000	\$308,950
Ad Valorem & Fee-in-lieu of taxes	5,429,195	5,400,000	29,195
Interest	688,918	452,200	236,718
Miscellaneous	435,440	255,000	180,440
<b>Total Revenues</b>	<b>\$18,287,503</b>	<b>\$17,532,200</b>	<b>\$755,303</b>
Loan and Bond Proceeds & Use of Reserves			
Loan Advance/Use of Bond Proceeds	\$1,276,140	\$8,239,073	(\$6,962,933)
Use of Reserve Funds	1,598,460	6,562,672	(4,791,939)
<b>Total Loan and Bond Proceeds &amp; Use of Reserves</b>	<b>\$2,874,600</b>	<b>\$14,801,745</b>	<b>(\$11,754,872)</b>
<b>Total Receipts</b>	<b>\$21,162,103</b>	<b>\$32,333,945</b>	<b>(\$10,999,569)</b>

<b>Expenditures</b>	<b>Actual Results</b>	<b>Budget Amount</b>	<b>Difference Actual vs. Budget</b>
Salaries & Payroll taxes and Benefits	\$5,054,876	\$5,260,000	(\$205,124)
Maintenance & Repairs, Equipment and Chemicals	1,548,394	1,970,000	(421,606)
Power and Utilities	912,850	1,280,000	(367,150)
Interest Expense	3,000,431	2,931,152	69,279
Insurance and Professional Services	398,614	370,000	28,614
Capital Improvements	5,061,746	14,916,876	(9,855,130)
Loan Payments	2,138,311	1,987,491	150,820
Bond Payments	1,823,000	2,283,000	(460,000)
Miscellaneous	1,396,154	1,335,426	60,728
<b>Total Expenditures</b>	<b>\$21,334,376</b>	<b>\$32,333,945</b>	<b>(\$10,999,569)</b>
<b>Difference - Actual vs. Budget Amounts</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Capital Asset and Long-Term Debt Activity

The District issued \$21,690,000 of series 2005B revenue bonds during fiscal year 2005 for the refunding of the series 1999A revenue bonds, which will reduce debt payments over the next 25 years by nearly \$1,000,000. The present value of the savings exceeded \$700,000. Major capital asset activity during fiscal year 2005 included: South Davis and East Bountiful pumping plants (\$1,287,000); Weber South Water Treatment Plant Remodel (\$1,185,000); West Weber Secondary Water System (\$591,000); Davis North Water Treatment Plant Expansion (\$559,000); Davis South Water Treatment Plant Rehabilitation (\$433,000); the Gateway Canal Rehabilitation (\$279,000) as well as various pipeline replacement projects (\$304,000). The District met all of its bond and loan obligations in a timely manner during fiscal year 2005 and its debt service coverage rate (1.53) was above the bond covenant rate (1.25).

### Statement of Significant Capital Asset and Long-Term Debt Activity

<b>Significant Long-Term Debt Activity</b>	<b>Increase (Decrease)</b>	<b>Purpose</b>
Refunding of 1999A Series Bonds	(\$734,467)	Present value savings of refunding 1999A Series Bonds
<b>Total</b>	<b>(\$734,467)</b>	
<b>Significant Capital Asset Activity</b>	<b>Increase</b>	
Davis North Water Treatment Plant	\$558,579	
Davis South Water Treatment Plant	433,018	
Gateway Canal	278,935	
Pipeline Replacement	303,871	
So. Davis & E. Bountiful Pump Stations	1,286,889	
West Weber Secondary Water System	591,078	
<b>Total</b>	<b>\$3,452,370</b>	

## **Expectations of Changes in Financial Position**

The District expects the need for the issuance of bonds either in the latter half of fiscal year 2007 or the first half of fiscal year 2008 to be used mainly for the Weber South Water Treatment Plant Rehabilitation and Expansion. Revenues are expected to remain on a slightly upward trend. Capital project expenditures for fiscal year 2006 are expected to be just under \$9,000,000. Among the planned projects for fiscal year 2006 is the demolition of old maintenance shop buildings, the construction of a new maintenance shop and continued work on the rehabilitation of the Gateway Canal. These and other projects will be funded from reserves that have been set aside for these purposes. District management is confident that Weber Basin Water will continue in its strong financial condition.



# WEBER BASIN WATER CONSERVANCY DISTRICT

## Statement of Net Assets

June 30, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current assets:		
Cash (note 2)	\$ 1,141,824	1,207,502
Investments (note 2)	21,972,243	26,066,718
Prepaid consulting fees	21,313	21,313
Water stock investments, at cost (notes 3, 5 and 6)	12,046,988	12,046,988
Insurance deposits	2,487	2,487
Cafeteria plan	2,104	1,970
Total current assets	<u>35,186,959</u>	<u>39,346,978</u>
Sinking fund and reserve fund assets:		
Cash (note 2)	104	40
Investments (note 2)	<u>4,730,604</u>	<u>4,273,591</u>
Total sinking fund and reserve fund assets	<u>4,730,708</u>	<u>4,273,631</u>
Other assets:		
Deferred bond interest	1,055,029	-
Bond issue costs	<u>403,951</u>	-
Total other assets	<u>1,458,980</u>	-
Capital assets less accumulated depreciation of \$31,437,306 in 2005 and \$28,016,274 in 2004 (includes system constructed by United States Government) (notes 1 and 4)	<u>209,939,261</u>	<u>207,795,598</u>
Total assets	<u>251,315,908</u>	<u>251,416,207</u>
<u>Liabilities</u>		
Current liabilities:		
Current installments of long-term debt (note 5)	3,242,380	4,285,862
Accounts payable	2,144,569	1,614,519
Compensated absences	<u>1,041,362</u>	<u>988,101</u>
Total current liabilities	<u>6,428,311</u>	<u>6,888,482</u>
Other liabilities:		
Bond premium	1,175,919	-
Long-term debt (note 5)	114,938,251	117,958,090
Contingencies (note 7)	-	-
Total liabilities	<u>122,542,481</u>	<u>124,846,572</u>
<u>Net Assets</u>		
Investment in capital assets - net of related debt	93,653,630	85,551,646
Restricted	26,159,811	26,131,818
Unrestricted	<u>8,959,986</u>	<u>14,886,171</u>
Total net assets	<u>\$128,773,427</u>	<u>126,569,635</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Revenue, Expenses and Changes in Net Assets

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Water sales:		
Replacement water	\$ 1,327,261	1,235,733
Municipalities	5,982,822	5,436,221
Irrigation charges	3,138,852	2,999,359
Companies	616,326	549,062
Untreated	668,689	609,200
Ad valorem taxes	4,848,810	4,604,457
Fees in lieu of taxes	580,385	533,802
Power sales	21,788	1,709
Fish and Wildlife	115,941	113,843
Interest	688,918	637,375
Miscellaneous	<u>297,711</u>	<u>343,495</u>
Total revenue	<u>18,287,503</u>	<u>17,064,256</u>
Expenses:		
Salaries	3,390,365	3,223,072
Payroll taxes and fringe benefits	1,664,511	1,629,947
Maintenance and repairs	991,506	1,026,186
Power and utilities	912,850	1,442,252
Chemicals	556,888	448,853
Operation and maintenance to other organizations	526,733	404,638
Insurance	319,490	283,767
Professional services	79,124	115,872
Interest	3,000,431	3,067,039
Depreciation	3,772,392	3,218,048
Miscellaneous	<u>869,421</u>	<u>967,566</u>
Total expenses	<u>16,083,711</u>	<u>15,827,240</u>
Change in net assets	2,203,792	1,237,016
Net assets - beginning of year	<u>126,569,635</u>	<u>125,332,619</u>
Net assets - end of year	<u>\$128,773,427</u>	<u>126,569,635</u>

See independent auditors' report and notes to financial statements.

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Statement of Cash Flows

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Receipt from customers	\$ 17,424,773	16,372,933
Payment to suppliers	(4,448,419)	(4,417,563)
Payment to employees	<u>(4,992,982)</u>	<u>(4,762,096)</u>
Net cash provided by operating activities	<u>7,983,372</u>	<u>7,193,274</u>
Cash flows from investing activities:		
Interest received	688,818	637,336
Sale of investments	4,533,410	12,013,556
Purchase of investments	(895,947)	(986,819)
Purchase of water stock	<u>-</u>	<u>(27,312)</u>
Net cash provided by investing activities	<u>4,326,281</u>	<u>11,636,761</u>
Cash flows from capital and related financing activities:		
Interest paid	(2,894,928)	(3,067,039)
Purchase of capital assets	(5,061,748)	(12,691,706)
Increase in long-term debt	2,720	478,788
Principal paid on long-term debt	<u>(4,421,311)</u>	<u>(4,134,140)</u>
Net cash provided (used) by capital and related financial activities	<u>(12,375,267)</u>	<u>(19,414,097)</u>
Net decrease in cash	(65,614)	(584,062)
Cash - beginning of year	<u>1,207,542</u>	<u>1,791,604</u>
Cash - end of year	<u>\$ 1,141,928</u>	<u>1,207,542</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,376,065	1,237,016
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	3,772,392	3,218,048
Interest received	(688,818)	(637,336)
Interest paid	2,894,928	3,067,039
Increase (decrease) in accounts payable	530,050	(500,276)
Increase in compensated absences	53,261	89,469
Other adjustments	<u>(954,506)</u>	<u>719,314</u>
Net cash provided by operating activities	<u>\$ 7,983,372</u>	<u>7,193,274</u>

See independent auditors' report and notes to financial statements.

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Notes to Financial Statements

June 30, 2005 and 2004

### (1) Organization and Summary of Significant Accounting Policies

#### **A. Organization**

Weber Basin Water Conservancy District is a political subdivision of the State of Utah organized to construct and maintain water storage reservoirs to provide culinary and irrigation water within the District's boundaries. This report includes all funds of the District.

#### **B. Financial Reporting Model**

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant characteristics of these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net assets.
3. The statement of cash flows is presented on the direct method.

#### **C. Accounting Method**

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

#### **D. Depreciation**

Depreciation is computed on district constructed facilities by the straight-line method using the following useful lives: pipelines and canals - 60 to 70 years, wells - 65 years, plant and buildings - 15 to 60 years, autos, trucks and other equipment - 5 years. Depreciation is recorded so that the net results more nearly reflect recommended procedures for public utilities. Depreciation is not computed on any facilities constructed by the Bureau of Reclamation as title remains with the Bureau.

#### **E. Reporting Entity**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

#### **F. Fund Accounting**

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Notes to Financial Statements - Continued

June 30, 2005 and 2004

### (1) Organization and Summary of Significant Accounting Policies - Continued

#### **G. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### (2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

#### **A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at June 30, 2005 were \$8,955,141, of which \$8,355,141 were uninsured and uncollateralized.

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

#### **B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	<u>\$18,889,638</u>	54 days*	not rated

\*Weighted-average maturity

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Notes to Financial Statements - Continued

June 30, 2005 and 2004

### (2) Deposits and Investments - Continued

#### **C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

#### **D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

### (3) Water Stock Investments

At June 30, 2005, the District owed \$319,415 on 16 agreements to purchase Davis and Weber Counties Canal Company stock. The amount owed on June 30, 2004 was \$490,891 on 16 agreements.

### (4) Capital Assets

Capital assets includes both facilities constructed by the Bureau of Reclamation and the District itself. Bureau constructed facilities are recorded at \$81,631,000; the total amount to be reimbursed by the District according to the repayment contract with the government dated December 31, 1952 and as amended.

Changes in capital assets are as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Land	\$ 4,395,655	1,013,180	-	5,408,835
Plant and buildings	48,926,581	2,403,384	-	51,329,965
Wells	13,020,961	340,969	-	13,361,930
Pipelines and canals	43,812,517	1,173,885	-	44,986,402
Autos and trucks	1,323,415	305,457	306,732	1,322,140
Storage and distribution system	100,556,528	-	-	100,556,528
Computer software	281,862	19,933	4,934	296,861
Miscellaneous equipment	230,360	-	-	230,360
Lab equipment	506,614	-	-	506,614
Computer equipment	264,624	5,381	-	270,005
Machinery and equipment	16,409,633	844,399	230,227	17,023,805
Reservoirs	6,062,807	-	-	6,062,807
Office furniture	20,315	-	-	20,315
	<u>\$235,811,872</u>	<u>6,106,588</u>	<u>541,893</u>	<u>241,376,567</u>

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Notes to Financial Statements - Continued

June 30, 2005 and 2004

### (5) Long-Term Liabilities

Long-term liabilities consist of the following:

	<u>Interest Rate</u>	<u>2005</u>	<u>2004</u>
Canal company stock purchase contracts	-	\$ 319,415	490,981
United States Government:			
Original contract payable, final payment due in approximately 2034	-	35,212,376	36,603,445
Drought relief contract payable, final payment 2018	-	1,382,386	1,490,147
Rehabilitation and Betterment contract draws	-	17,348,487	17,345,767
Lost Creek payable	7%	358,202	384,674
Utah State Government:			
Smith Morehouse contract payable, final payment 2025	3%	5,735,437	5,942,901
Layton canal contract payable, final payment 2018	3%	891,499	942,008
1993 Kanesville contract payable, final payment 2013	-	130,925	263,125
1997 Kanesville contract payable, final payment 2016	-	216,389	235,389
2001 Kanesville contract payable, final payment 2016	-	370,515	402,515
Water Conservancy Revenue Bonds:			
Series 1999A	3.65%-5.50%	1,895,000	23,690,000
Series 2000A	-	625,000	650,000
Series 2000B	3.04%	5,070,000	5,313,000
Series A-6	4.40%	13,150,000	13,150,000
Series 2002B	2.36%-5.15%	6,935,000	8,490,000
Series 2002C	4.708%-5.250%	6,850,000	6,850,000
Series 2005B	3.5%-5.0%	21,690,000	-
		<u>118,180,631</u>	<u>122,243,952</u>
Less current installments due		<u>3,242,380</u>	<u>4,285,862</u>
		<u>\$114,938,251</u>	<u>117,958,090</u>

The aggregate amount of required payments at June 30, 2005 are as follows:

#### Year ended June 30,

2006	\$ 3,242,380
2007	3,694,695
2008	3,713,330
2009	3,861,333
2010	4,510,330
Subsequent	<u>99,158,563</u>
	<u>\$118,180,631</u>

#### **Advance Refunding:**

In May of 2005, the District issued \$21,690,000 of series 2005B revenue bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$21,335,000 of series 1999A revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's books. The unrefunded portion of the series 1999A revenue bonds is \$1,895,000. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$3,095,013 and resulted in an economic gain of \$734,467.

# WEBER BASIN WATER CONSERVANCY DISTRICT

## Notes to Financial Statements - Continued

June 30, 2005 and 2004

### (6) Contributions

On December 11, 1980 the District entered into an agreement with Ogden City under which the District received 128 shares of Davis and Weber Counties Canal Company stock and 900 shares of Weber Canal Company stock. The City received 840 acre feet of untreated water in perpetuity without cost or expense to the City.

On December 27, 1984 the District entered into an agreement with South Weber Water Improvement District to sell the annual use of 2,506 acre feet of untreated water for irrigation usage. In return the District received 358 shares of Davis and Weber Counties Canal Company stock valued at \$1,091,900.

### (7) Contingencies

As the District conducts its normal operations, from time to time it may become the defendant in law suits. The possible claim for damages in a future suit if upheld by judicial proceedings could exceed the \$20,000,000 limit of the District's current liability insurance policy. The District would then have to pay the excess from its own funds. There are currently no cases pending.

### (8) Pension Plans and Retirement Benefits

#### **Plan Description**

The Weber Basin Water Conservancy District (District) contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

#### **Funding Policy**

In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% of its annual covered salary. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory Retirement System for June 30, 2005, 2004 and 2003 were \$367,664, \$314,038 and \$268,273 respectively, and 401(K) contributions for June 30, 2005, 2004 and 2003 were \$343,314, \$329,666 and \$309,972 respectively. The contributions were equal to the required contributions for each year.

### (9) Financial Statement Corrections

Subsequent to September 29, 2005, management discovered corrections that needed to be made to these financial statements; therefore, the following changes were made:

1. Long-term debt was increased by \$1,895,000 which represents the unrefunded portion of the series 1999A bonds.
2. Deferred bond interest of \$1,055,029 was added to other assets.
3. Deferred revenue of \$667,698 was removed from other liabilities.
4. Miscellaneous revenue was reduced by \$66,770.
5. Interest expense was increased by \$105,503.



# WEBER BASIN WATER CONSERVANCY DISTRICT

## Statement of Assets and Liabilities - By Funds

June 30, 2005

	Total (Memo Only)	General Deposi- tory Fund	District Operation and Maintenance Fund
Assets (other than capital assets):			
Cash	\$ 1,141,928	95	77,289
Investments	26,702,847	-	8,257,112
Water stock investment	12,046,988	-	-
Prepaid consulting fees	21,313	-	-
Insurance deposits	2,487	-	2,487
Cafeteria plan	2,104	-	2,104
Bond issue costs	403,951	-	-
Amount to be provided for payment of contract obligations	46,919,958	-	-
Total other assets	<u>87,241,576</u>	<u>95</u>	<u>8,338,992</u>
Capital assets (note 4):			
Storage and distribution system constructed by the United States Government	98,657,031	-	-
Capital assets owned by the District	142,719,536	-	-
Less accumulated depreciation	<u>(31,437,306)</u>	-	-
Total capital assets	<u>209,939,261</u>	-	-
Total assets	<u>\$297,180,837</u>	<u>95</u>	<u>8,338,992</u>
Liabilities:			
Accounts payable	\$ 3,185,931	-	1,206,215
Deferred revenue	667,698	-	-
Bond premium	1,175,919	-	-
Water stock payable	319,415	-	-
Contracts payable	61,646,216	-	-
Bonds payable	<u>54,320,000</u>	-	-
Total liabilities	<u>121,315,179</u>	-	<u>1,206,215</u>
Net assets:			
Investment in capital assets	208,884,989	-	-
Contributions	2,244,503	-	-
Appropriated equity - capital improvement	24,253,970	-	-
Unappropriated equity	<u>(59,517,804)</u>	<u>95</u>	<u>7,132,777</u>
Total equity	<u>175,865,658</u>	<u>95</u>	<u>7,132,777</u>
Total liabilities and equity	<u>\$297,180,837</u>	<u>95</u>	<u>8,338,992</u>

<u>Capital Improvement and Special District Fund</u>	<u>United States Obliga- tion Fund</u>	<u>Operation and Mainen- ance Reserve Fund</u>	<u>Replace- ment Sinking Fund</u>	<u>Rehabili- tation and Betterment Project</u>	<u>Bond Fund</u>	<u>Fixed Asset Fund</u>
768,791	104	-	-	295,649	-	-
10,113,925	111,999	424,607	1,863,550	3,269,452	2,662,202	-
12,046,988	-	-	-	-	-	-
-	-	-	-	21,313	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	403,951	-
<u>10,079,097</u>	<u>36,840,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>33,008,801</u>	<u>36,952,964</u>	<u>424,607</u>	<u>1,863,550</u>	<u>3,586,414</u>	<u>3,066,153</u>	<u>-</u>
-	-	-	-	-	-	98,657,031
-	-	-	-	-	-	142,719,536
-	-	-	-	-	-	(31,437,306)
-	-	-	-	-	-	<u>209,939,261</u>
<u>33,008,801</u>	<u>36,952,964</u>	<u>424,607</u>	<u>1,863,550</u>	<u>3,586,414</u>	<u>3,066,153</u>	<u>209,939,261</u>
1,979,526	-	-	-	190	-	-
-	-	-	-	-	667,698	-
-	-	-	-	-	1,175,919	-
319,415	-	-	-	-	-	-
7,344,765	36,952,964	-	-	17,348,487	-	-
-	-	-	-	-	54,320,000	-
<u>9,643,706</u>	<u>36,952,964</u>	<u>-</u>	<u>-</u>	<u>17,348,677</u>	<u>56,163,617</u>	<u>-</u>
-	-	-	-	-	-	208,884,989
1,190,231	-	-	-	-	-	1,054,272
22,174,864	-	424,607	1,654,499	-	-	-
-	-	-	209,051	(13,762,263)	(53,097,464)	-
<u>23,365,095</u>	<u>-</u>	<u>424,607</u>	<u>1,863,550</u>	<u>(13,762,263)</u>	<u>(53,097,464)</u>	<u>209,939,261</u>
<u>33,008,801</u>	<u>36,952,964</u>	<u>424,607</u>	<u>1,863,550</u>	<u>3,586,414</u>	<u>3,066,153</u>	<u>209,939,261</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Cash Receipts and Disbursements - By Funds

Year Ended June 30, 2005

	Total (Memo Only)	General Deposi- tory Fund	District Operation and Maintenance Fund
Cash balance - July 1, 2004	\$ 1,207,542	38	331,212
Receipts:			
Replacement water sales	1,327,261	-	628,817
Municipal water sales	5,982,822	-	1,439,182
Water sales to companies	1,285,015	-	498,957
Irrigation water sales	3,138,852	-	2,293,772
Ad valorem taxes and fee in lieu of taxes	5,429,195	-	-
Power, fish and wildlife credits	137,729	-	137,729
Miscellaneous revenue	123,899	57	58,189
Transferred from other funds	8,096,165	-	3,900,000
Interest earned	688,818	-	159,503
Sale of investments (net)	4,533,410	-	-
Increase in long-term debt	23,232,720	-	-
Total receipts and beginning balance	<u>55,183,428</u>	<u>95</u>	<u>9,447,361</u>
Disbursements:			
Salaries	3,338,112	-	3,338,112
Payroll taxes and fringe benefits	1,654,870	-	1,654,870
Utilities	912,850	-	912,850
Maintenance and repairs	991,506	-	991,506
Sundry and other operating expense	2,544,063	-	1,994,355
Interest	2,894,928	-	-
Purchase of investments (net)	895,947	-	123,942
Capital expenditures	5,061,748	-	154,437
Transfer to other funds	8,096,165	-	200,000
Payment on long-term debt	27,651,311	-	-
Total disbursements	<u>54,041,500</u>	<u>-</u>	<u>9,370,072</u>
Cash balance - June 30, 2005	\$ <u>1,141,928</u>	<u>95</u>	<u>77,289</u>

<u>Capital Improvement and Special District Fund</u>	<u>United States Obliga- tion Fund</u>	<u>Operation and Mainten- ance Reserve Fund</u>	<u>Replace- ment Sinking Fund</u>	<u>Rehabili- tation and Betterment Project</u>	<u>Bond Fund</u>
296,091	40	-	-	580,161	-
532,491	-	-	-	1	165,952
1,350,065	-	-	-	436,118	2,757,457
144,949	-	-	-	186,824	454,285
444,518	-	-	-	272	400,290
-	5,429,195	-	-	-	-
-	-	-	-	-	-
65,653	-	-	-	-	-
2,473,904	-	-	-	172,799	1,549,462
314,067	29,950	10,193	44,735	71,143	59,227
751,826	-	-	-	-	3,781,584
-	-	-	-	2,720	23,230,000
<u>6,373,564</u>	<u>5,459,185</u>	<u>10,193</u>	<u>44,735</u>	<u>1,450,038</u>	<u>32,398,257</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
141,677	-	-	-	175,325	232,706
221,712	16,830	-	-	-	2,656,386
-	16,949	10,193	44,735	700,128	-
4,628,375	-	-	-	278,936	-
-	3,900,000	-	-	-	3,996,165
613,009	1,525,302	-	-	-	25,513,000
<u>5,604,773</u>	<u>5,459,081</u>	<u>10,193</u>	<u>44,735</u>	<u>1,154,389</u>	<u>32,398,257</u>
<u>768,791</u>	<u>104</u>	<u>-</u>	<u>-</u>	<u>295,649</u>	<u>-</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Operation and Maintenance Fund  
Statement of Operations

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Sale of water:		
Replacement water	\$ 628,817	566,376
Municipal	1,439,182	1,434,039
Irrigation	2,293,772	2,185,331
Industrial	<u>498,957</u>	<u>480,824</u>
Total sale of water	4,860,728	4,666,570
Interest	159,503	94,219
Power sales	21,788	1,709
Fish and wildlife credits	115,941	113,843
Miscellaneous	<u>58,189</u>	<u>65,199</u>
Total revenue	<u>5,216,149</u>	<u>4,941,540</u>
Expenses:		
Operating:		
Salaries	2,574,144	2,406,486
Payroll taxes and fringe benefits	1,263,647	1,222,460
Chemicals	556,888	496,054
Utilities	912,850	1,442,253
Maintenance and repair	991,506	1,026,186
Other water districts and association - operation and maintenance	<u>526,733</u>	<u>404,638</u>
Total operating expenses	<u>6,825,768</u>	<u>6,998,077</u>
Administrative and general:		
Salaries	816,221	816,586
Payroll taxes and fringe benefits	400,864	407,487
Insurance and bonds	305,241	283,767
Other general expense	136,145	118,050
Professional service fees	93,373	52,039
Telephone and miscellaneous	<u>165,979</u>	<u>171,124</u>
Total administrative and general expense	<u>1,917,823</u>	<u>1,849,053</u>
Total expenses	<u>8,743,591</u>	<u>8,847,130</u>
Operating loss	(3,527,442)	(3,905,590)
Net transfers in	<u>3,700,000</u>	<u>3,233,721</u>
Income (loss) before depreciation	172,558	(671,869)
Less depreciation*	<u>3,772,392</u>	<u>3,218,048</u>
Net loss	<u>\$ (3,599,834)</u>	<u>(3,889,917)</u>

\*Depreciation is a non-cash item entered on this statement to conform with recommended accounting practice for utilities.

## WEBER BASIN WATER CONSERVANCY DISTRICT

## Schedule of Insurance Policies in Force

June 30, 2005

Carrier	Expiration Date	Line of Insurance	Coverage	Limits
Continental Casualty Company (A XV)	06/01/2006	Property	Buildings & Personal Property Extra Expense Computer Equipment & Media Earthquake Flood	\$58,112,600 1,000,000 169,164 5,000,000 5,000,000
Continental Casualty Company (A XV)	06/01/2006	Boiler and Machinery	Limit per Breakdown Expediting Expense Utility Interruption Damage Ordinance or Law	\$50,000,000 25,000 100,000 500,000
Continental Casualty Company (A XV)	06/01/2006	Inland Marine	Mobile or Contractors Equipment	\$ 1,136,000
American Alternative Insurance (A+XV)	06/01/2006	Crime	Public Employee Dishonesty Forgery Theft Disappearance & Destruction - Inside Theft Disappearance & Destruction - Outside Computer Fraud	\$ 250,000 250,000 100,000 100,000 50,000
American Alternative Insurance (A+XV)	06/01/2006	Commercial Liability	Bodily Injury and Property Damage Personal and Advertising Injury Professional Liability Wrongful Acts Employment Practices Liability Employee Benefit Liability Fire Damage Limit - Any one Premises Medical Payments - Per Accident	\$ 1,000,000 Per Occ \$ 3,000,000 Aggr 1,000,000 Per Occ \$ 3,000,000 Aggr 1,000,000 Per Occ \$ 3,000,000 Aggr 1,000,000 Per Occ \$ 3,000,000 Aggr 1,000,000 Per Occ \$ 3,000,000 Aggr 1,000,000 Per Occ \$ 3,000,000 Aggr 10,000
American Alternative Insurance (A+XV)	06/01/2006	Commercial Auto	Liability Limit (61 units per schedule) Personal Injury Protection (PIP) Uninsured Motorist Underinsured Motorist Hired Auto Physical Damage	\$ 1,000,000 3,000 1,000,000 1,000,000 50,000
American Alternative Insurance (A+XV)	06/01/2006	Excess Liability	Provides excess coverage over underlying General Liability, Auto Liability, Employers' Liability and Employee Benefits Liability, Wrongful Acts, Professional Liability, Employment Practices Liability Each Occurrence Aggregate	\$10,000,000 10,000,000
St. Paul Fire & Marine Insurance Company (A XV)	06/01/2006	Excess Liability	Provides excess coverage over underlying General Liability, Auto Liability, Employers' Liability and Employee Benefits Liability Each Occurrence Aggregate	\$10,000,000 10,000,000
Western Surety Company	06/15/2006	Bond	Notary E & O	\$ 25,000
Utah Local Governments Trust	Automatic Renewal	Workers Compensation	Work Place Accidents	N/A

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 1999A  
Statement of Cash Receipts and Disbursements

June 30, 2005

	<u>Total (Memo Only)</u>	<u>Project Fund</u>	<u>Debt Service Fund</u>	<u>Refunding Escrow</u>
Cash balance - June 30, 2004	\$ 497,442	1	497,441	-
Receipts	26,679,608	-	4,184,076	22,495,532
Disbursements	<u>4,681,518</u>	<u>1</u>	<u>4,681,517</u>	<u>-</u>
Cash balance - June 30, 2005	<u>\$ 22,495,532</u>	<u>-</u>	<u>-</u>	<u>22,495,532</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2000A  
Statement of Cash Receipts and Disbursements

June 30, 2005

	<u>Total (Memo Only)</u>	<u>Debt Service Fund</u>	<u>Service Reserve Fund</u>
Cash balance - June 30, 2004	\$ 38,188	25,229	12,959
Receipts	29,964	25,410	4,554
Disbursements	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Cash balance - June 30, 2005	<u>\$ 43,152</u>	<u>25,639</u>	<u>17,513</u>



## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2000B  
Statement of Cash Receipts and Disbursements

June 30, 2005

	<u>Total (Memo Only)</u>	<u>Debt Service Fund</u>	<u>Service Reserve Fund</u>
Cash balance - June 30, 2004	\$ 144,671	18,710	125,961
Receipts	437,807	393,549	44,258
Disbursements	<u>407,616</u>	<u>407,616</u>	<u>-</u>
Cash balance - June 30, 2005	\$ <u>174,862</u>	<u>4,643</u>	<u>170,219</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series A-6  
Statement of Cash Receipts and Disbursements

June 30, 2005

	Total (Memo Only)	Construction Fund	Bond Fund	Loan Fund
Cash balance - June 30, 2004	\$ 2,525,910	2,218,440	307,466	4
Receipts	606,757	5,260	601,497	-
Disbursements	<u>2,822,088</u>	<u>2,223,698</u>	<u>598,386</u>	<u>4</u>
Cash balance - June 30, 2005	\$ <u>310,579</u>	<u>2</u>	<u>310,577</u>	<u>-</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2002B  
Statement of Cash Receipts and Disbursements

June 30, 2005

	Total (Memo Only)	Project Fund	Bond Fund
Cash balance - June 30, 2004	\$ 3,059,898	2,280,032	779,866
Receipts	2,303,731	13,408	2,290,323
Disbursements	<u>3,847,197</u>	<u>1,961,688</u>	<u>1,885,509</u>
Cash balance - June 30, 2005	\$ <u>1,516,432</u>	<u>331,752</u>	<u>1,184,680</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2002C  
Statement of Cash Receipts and Disbursements

June 30, 2005

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2004	\$ 177,678	177,678
Receipts	348,931	348,931
Disbursements	<u>348,031</u>	<u>348,031</u>
Cash balance - June 30, 2005	<u>\$ 178,578</u>	<u>178,578</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2005B  
Statement of Cash Receipts and Disbursements

June 30, 2005

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2004	\$ -	-
Receipts	438,599	438,599
Disbursements	<u>-</u>	<u>-</u>
Cash balance - June 30, 2005	<u>\$ 438,599</u>	<u>438,599</u>

## WEBER BASIN WATER CONSERVANCY DISTRICT

## Schedule of Investments

June 30, 2005

## Current assets investments:

## Operation and Maintenance fund:

State Treasurers Investment Pool  
America West Bank

\$ 7,507,112  
750,000 \$ 8,257,112

## Special District fund:

America West Bank  
Barnes Bank  
Wells Fargo Bank  
State Treasurers Investment Pool  
Bank of Utah

3,227,733  
616,656  
450,000  
5,719,536  
100,000 10,113,925

## R and B fund:

Key Bank  
State Treasurers Investment Pool

6,713  
3,262,739 3,269,452

## Bond fund:

Zions Bank

331,754  
\$ 21,972,243

Total current investments

## Sinking fund and reserve fund asset investments:

## Extra-ordinary Operation and Maintenance fund:

State Treasurers Investment Pool

\$ 424,607

## Replacement Sinking fund:

State Treasurers Investment Pool

1,863,550

## United States Obligation fund:

State Treasurers Investment Pool

111,999

## Bond fund:

Zions Bank

2,330,448

Total sinking fund and reserve fund  
asset investments

\$ 4,730,604



Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

The President and Board of Trustees  
Weber Basin Water Conservancy District  
Layton, Utah

We have audited the financial statements of Weber Basin Water Conservancy District for the year ended June 30, 2005 and have issued our report thereon dated September 29, 2005. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax limitations
- Other Compliance Requirements
- Special District Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any major or non-major State grants during the year ended June 30, 2005.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Weber Basin Water Conservancy District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

*Crane Christensen & Ambrose*

September 29, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182  
Member Division of CPA Firms, American Institute of Certified Public Accountants

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

The President and Board of Trustees  
Weber Basin Water Conservancy District  
Layton, Utah

We have audited the financial statements of Weber Basin Water Conservancy District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Directors and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Crane Christensen & Ambrose*

September 29, 2005





Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Water Conservancy Revenue Bonds -  
Series 1999A, 2000A, 2000B, A-6, 2002B, 2002C, and 2005B  
Resolution Compliance Report

Zions Bank  
Bond Trustee

We have audited the financial statements of Weber Basin Water Conservancy District for the year ended June 30, 2005 and have issued our report thereon dated September 29, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Basin Water Conservancy District as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with provisions of the Water Conservancy Revenue Bond Series 1999A, 2000A, 2000B, A-6, 2002B, 2002C, and 2005B Resolution in so far as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

We found the District's net revenues and other available funds for the year ended June 30, 2005 exceeded the rate covenant requirement for the year.

This report is intended solely for the information and use of the Bond Trustee and should not be used for any other purpose.

*Crane Christensen & Ambrose*

September 29, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182  
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CRANE, CHRISTENSEN  
& AMBROSE  
*Certified Public Accountants*  
*A Professional Corporation*

Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

September 29, 2005

Weber Basin Water Conservancy District  
2837 East Hwy 193  
Layton, Ut 84040

We have completed the audit of the District's financial statements as of June 30, 2005. We express our thanks to Tage, John, Sherrie, Jackie and all of the District's fine staff for the assistance they gave us during our audit field work.

As stated in our engagement letter dated July 1, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the District's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you. We noted no transactions for which there is a lack of authoritative guidance or consensus.


As a result of observations made during our field work, we make the following recommendations which we feel will make your accounting system even stronger.

1. Each check disbursement voucher or supporting invoice should disclose the general ledger account to which that disbursement is posted.
2. Documentation as to the year end balances owed on all long-term debts should be obtained and the long-term debt accounts adjusted to the correct amounts owed.

We would be happy to assist the District in the implementation of the above recommendation. If there are any questions concerning this letter, please call me.

Sincerely,

CRANE, CHRISTENSEN & AMBROSE

  
Steven F. Crane, CPA

# WEBER BASIN WATER CONSERVANCY DISTRICT

2837 East Highway 193 • Layton, Utah 84040 • Phone (801) 771-1677 • (SLC) 359-4494 • Fax (801) 544-0103

December 27, 2005

Mr. Auston G. Johnson, Utah State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P.O. Box 142310  
Salt Lake City, Utah 84114-2310

Tage I. Flint  
General Manager/CEO

**Board of Trustees:**

Jewel Lee Kenley  
President  
Davis County

Charles F. Black Jr.  
Davis County

Karen W. Fairbanks  
Weber County

Wayne B. Gibson  
Weber County

Robert L. Hensley  
Weber County

Charlene M. McConkie  
Davis County

Stephen A. Osguthorpe  
Summit County

Scott F. Peterson  
Morgan County

Eric B. Storey  
Weber County

Dear Auston:

Please find enclosed the 2005 fiscal year audit report for Weber Basin Water Conservancy District along with the Survey of Local Government Finances – Special Districts. The audit was originally presented to and accepted by our board of trustees on November 4, 2005. A final, restated audit was presented to and accepted by the board of trustees on December 22, 2005 after it was determined that corrections needed to be made. See Note #9 on page 14 of the report.

The audit performed by Crane, Christensen and Ambrose indicates that there were no unusual and significant issues found. Further, the audit indicates that all financial obligations and covenants were met.

The management letter lists two recommendations. Both have been or will be implemented during the current fiscal year. In the first, the auditor recommends the District include the general ledger account to which disbursements are posted. This is a practice that has been followed by the District in the vast majority of disbursements. The other recommendation regarding the obtaining and documenting year-end balances of long-term debts will be done shortly after the close of each fiscal year.

If you have any questions regarding the audit please contact John Davis of our office or Steve Crane of Crane, Christensen & Ambrose.

Sincerely,



Tage I. Flint, PE  
General Manager/CEO

TIF/jkd